GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

MA & UD — Creation of Special Purpose Vehicle (SPV) in Vijayawada Municipal Corporation in the name and style of "Vijayawada Urban Infrastructure Development Corporation Ltd." for Development of Infrastructure Projects in the City on Commercial/ PPP basis — Orders — Issued.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (UI) DEPARTMENT

G.O. Ms. No.6 Dated: 02.01.2017.

Read the following:-

1. G.O. Ms. No. 132 & 133, MA &UD (UBS)Dept. , Dt.24.5.2016.
2. Letter from the Chief Executive Officer, APUIAML., Vijayawada Lr.No.APUIAML/ GoAP/VJA/01/2016-17, Dated:22-10-2016.
3. G.O.Ms.No.319, MA&UD (UI) Dept., dated 07.12.2016.

***

ORDER:

The Andhra Pradesh Urban Development Fund (APUDF) has been created vide G.O. 1st read above with an objective to attract private investment for leveraging Project Financing and private sector participation in developing Urban Infrastructure Projects in the Urban Local Bodies in the State taken up on commercial/ PPP models. The composition, structure and functioning of the APUDF has also been approved vide G.O. 3rd read above. One of the ULBs in the State which requires project finance through APUDF is Vijayawada Municipal Corporation (VMC) and such project finance can be accessed, utilized through a Special Purpose Vehicle to be created at the ULB level. Besides, the Special Purpose Vehicle is considered to perform functions of developing, executing, monitoring and maintaining the infrastructure projects and also act as a specialized arm for the Vijayawada Municipal Corporation.

2. In his letter second read above, the Chief Executive Officer, APUIAML, Vijayawada has submitted an Approach Note for creation of a Special Purpose Vehicle for Vijayawada Municipal Corporation (VMC) for development of 24X7 Water Supply in Vijayawada Municipal Corporation area under APUDF assistance.

3. Government, in the above circumstances and after careful examination, hereby create the Special Purpose Vehicle in the name and style of **"Vijayawada Urban Infrastructure Development Corporation Limited."** under the Companies Act, 2013 for developing, designing, executing, monitoring the Urban Infrastructure Projects taken up under APUDF assistance or any such other PPP project taken up by the Vijayawada Municipal Corporation.

(P.T.O.)

A The objectives and structure of the Special Purpose Vehicle:

1. One of the major objectives of creation of the SPV is to ensure operational independence and autonomy in decision making during the project construction and operations phase.

2. SPV may be appropriately empowered with the decision making and other requisite powers by the Vijayawada Municipal Corporation in conformity with the Municipal Act to enable effective decision making and achieving the overall business purpose of the SPV.

3. **Cost Recoveries and Financial Sustainability**: Financial sustainability requires that the SPV can manage its operations from connection charges, user fees etc. In the long run, it is expected that such revenues will be sufficient to finance at least the operating costs. While the VMC will have to backstop revenue shortfalls through revenue support, the SPV shall strive to achieve full recovery of at least the O&M costs. This would require the SPV to continuously improve efficiency, optimize costs and enhance revenues.

4. Timely Project implementation and recovery of the operational and maintenance expenditure and part recovery of the capital expenditure.

5. Accountability and efficiency in the water supply system of city with the objectives towards service delivery

6. The Special Purpose Vehicle shall be a 50-50 JV between VMC and GOAP and shall be subject to improved transparency and governance with well-defined responsibilities for the directors and clear financial reporting and auditing requirements. The SPV shall also be empowered for effective and fast decision making.

7. Initial paid up capital: Rs.5.00 lakh which may be enhanced if required.

8. **Raising of Funds by SPV**: GoI contribution/ APUDF contribution shall be transferred to the SPV. The SPV also access funds from other sources such as debt, loans, user charges etc. as per the delegation of the powers and functions.

9. Raising finance on project finance basis supported by Govt. of India/State Government grants and VMC income other than water supply to bridge the gap, if any.

(Contd….p.3)

10. Divestment of the stake of the SPV at appropriate time.

4. The Vijayawada Urban Infrastructure Development Corporation Limited shall be managed by Board of Directors consisting the following:-

1.	The District Collector, Krishna., @ Machilipatnam.	-	Chairman
2.	The Commissioner, Vijayawada Municipal Corporation (Representative of Municipal Corporation under promoter Category)		Director
3.	Chief Engineer, Vijayawada Municipal Corporation Public Health		Director
4.	Nominee from APUDF		Director
5.	And other 12 members to be nominated by the Respective Authorities in State Government, ULB and Government of India.	-	Directors

The CEO to be appointed from open market

5. Government, also hereby nominate the following officers as initial shareholders of the above Special Purpose Vehicle (SPV) with number of shares as shown against them each.

Sl. No.	Shareholder	No. of share of Rs.10/- each
1.	H.E. the Governor of Andhra Pradesh represented by Principal Secretary, MA & UD, Govt. of AP	24,997
2.	The Commissioner and Director of Municipal Administration, Govt of Andhra Pradesh	1
3.	The Engineer-in-Chief , Public Health Department, GoAP	1
4.	The Director of Town and Country Planning, GoAP	1
5.	Vijayawada Municipal Corporation represented by its Commissioner.	24,997
6.	The Additional Commissioner, Vijayawada Municipal Corporation	1
7.	The Examiner of Accounts, Vijayawada Municipal Corporation	1
8.	The Superintending Engineer, Vijayawada Municipal Corporation	1
	TOTAL :	**50,000**

6 Role and responsibilities: The role and responsibilities of various organisations are as follows:

Government of Andhra Pradesh:

1. Provision of the financial assistance either from Govt. or borrowing from financial institutions through APUDF.
2. Approval on the Business plan and formation of SPV
3. Equity-participation for incorporation of SPV
4. Nominate the directors on the board of the SPV
5. Approval of the Reforms, change in bye-laws etc.
6. Approval of projects which are within the Project cost.

Vijayawada Municipal Corporation

1. Formation of Special Purpose Vehicle
2. Equity participation in incorporation of SPV
3. Nominate the director on the Board of the SPV
4. Transfer of Project asset for Development and Maintenance
5. Provide financing support, if required as per the agreed business plan
6. Authorise SPV to collect charges as decided by the Municipal Corporation leviable on the assets developed and monitored by the SPV without deviation to Municipal Corporations Act.
7. Provides support in planning/design/developing Project taken up with the assistance of APUDF.

Special Purpose Vehicle

1. Project Financing and achieving Financial Closure for the Project
    a. Finalizing an optimal financing structure leveraging on Government Grants
    b. Tying up the balance funding requirements for achieving financial closure
    c. Debt servicing and repayment

2. Project Development & Implementation to ensure timely completion of project as per the agreed timelines
    a. Design Review
    b. Supervision and Monitoring
    c. Compliances, Approvals and Clearances

3. Operation & Maintenance
    a. Service Delivery
    b. Key Performance Indicators Monitoring
    c. Citizen Interface

4. Revenue and Recovery
    a. Collection of various Charges as authorised by the GMC

(contd….p.5)

b. Revenue from sale of treated waste water and sludge as authorised by the GMC
c. Tariff recommendation for approval by Competent Authority on periodic basis

5. Reforms and Capacity Building
   a. Advice GMC on reforms required to enhance project sustainability and improve service delivery

Andhra Pradesh Urban Development Fund (APUDF)

1. Finance the Project in line with the investment criteria of the Fund.
2. Member of Board of Directors of SPV

Andhra Pradesh Urban Infrastructure Asset Management Ltd. (APUIAML):

a. Provide services to VMC in formation and incorporation of SPV

b. Provide services to the SPV in carrying out the project development, DPR preparation, bid process management, financial closure, project implementation management and capacity building activities

c. To act as Lender's Engineer on behalf of APUDF

d. Support VMC for enhancing its credit worthiness and creating avenues for revenue enhancement

e. Prepare and submit the business plan of SPV to VMC / GoAP for approval

f. Marketing of the project towards bringing Private Capital for the project as per the agreed business plan

g. Recommend reforms and any other special requirements as demanded by the lenders/ investors

h. Periodic monitoring of the SPV and VMC accounts and reporting to the investors.

(contd….p.6)

7. The Commissioner, Vijayawada Municipal Corporation, Vijayawada, the Engineer-in-Chief(PH), A.P., Gorantla, Guntur and the Chief Executive Officer, A.P. Urban Infrastructure Asset Management Company Ltd. shall take further necessary action accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

R. KARIKAL VALAVEN
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Commissioner, Vijayawada Municipal Corporation, Vijayawada.
The Engineer-in-Chief(PH), A.P., Gorantla, Guntur
The Chief Executive Officer, A.P. Urban Infrastructure Asset Management Company Ltd., Kausalya, Gummadi Gopala Rao Street, Labbipet, Vijayawada.

Copy to:
The P.S. to Spl. C.S. to C.M.
The P.S. to M (MA)
The P.S. to Chief Secretary to Government.
The P.S. to Prl. Secy. to Govt., MA & UD
The MA & UD (UBS) Dept.
The General Administration (Cabinet) Department
Sc/sf

// FORWARDED :: BY :: ORDER//

SECTION OFFICER